

Oil markets -- a view from EIA



for

State of the Oil Markets Panel Discussion

Center for Strategic and International Studies

February 17, 2016 | Washington DC

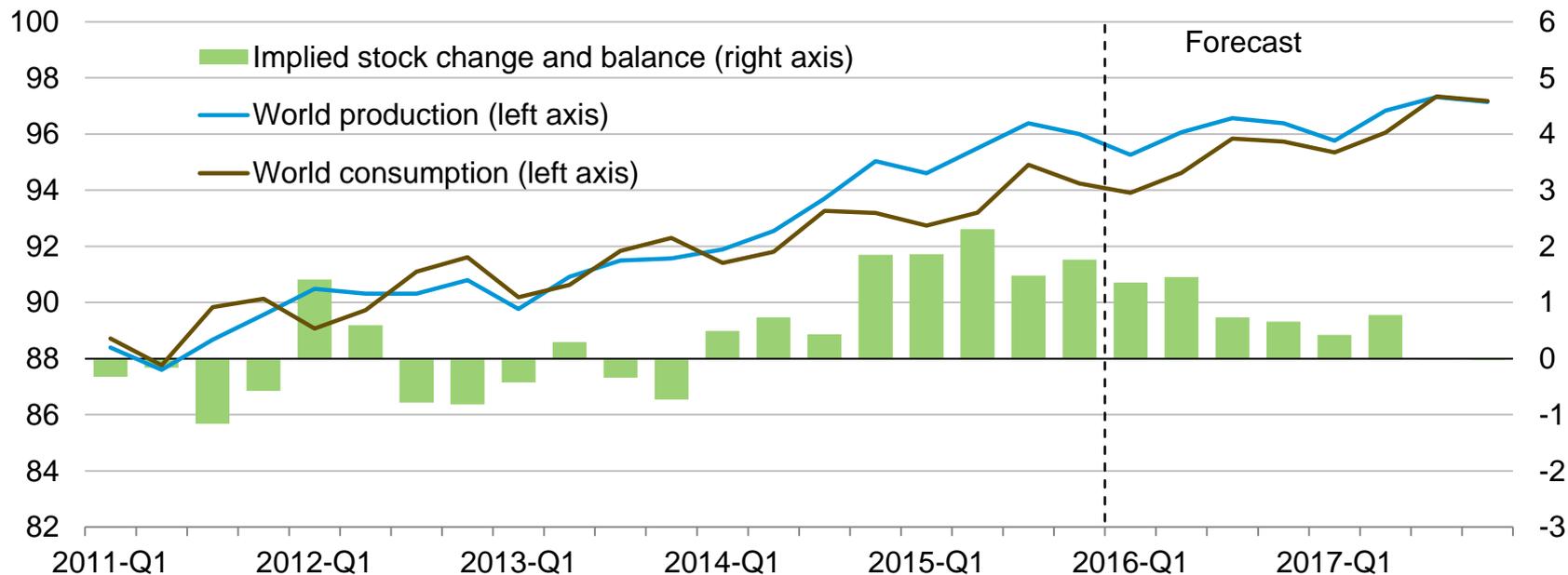
by

Howard Gruenspecht, Deputy Administrator

Global supply has consistently exceeded demand since the start of 2014; EIA forecasts a return to market balance in the second half of 2017

World supply and demand
million barrels per day

implied stock change
million barrels per day

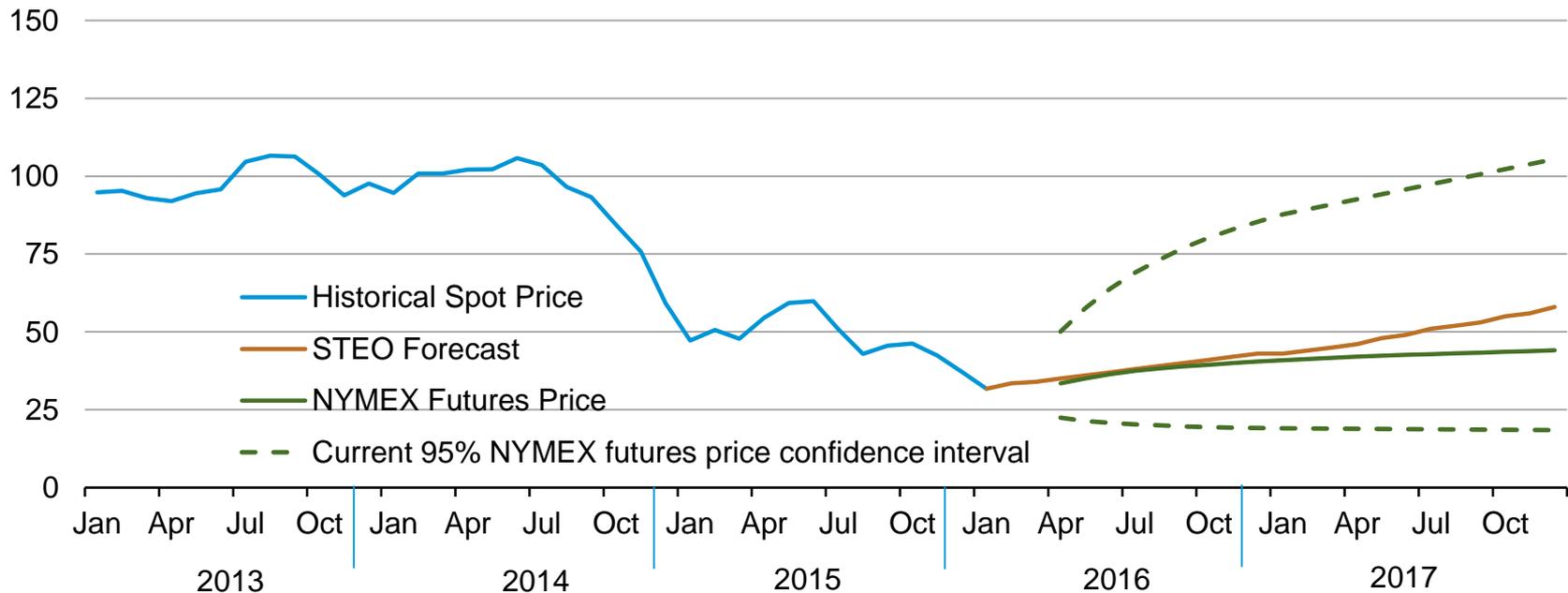


Source: EIA, Short-Term Energy Outlook, February 2016

EIA expects WTI oil prices to remain low compared to recent history, but the market-implied confidence band is very wide

WTI price

dollars per barrel

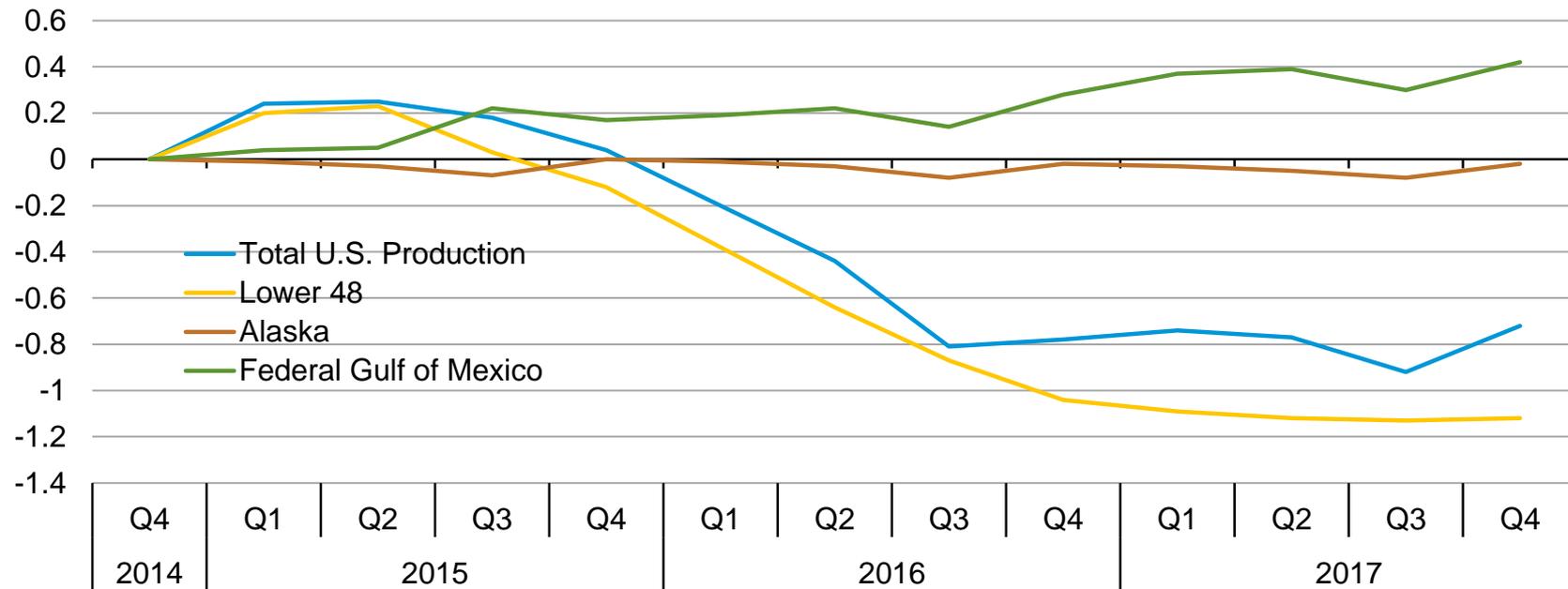


Source: EIA, Short-Term Energy Outlook, February 2016

Long lead times and past investment are contributing to growth from the Gulf of Mexico as Lower 48 production declines

U.S. crude oil production growth by area

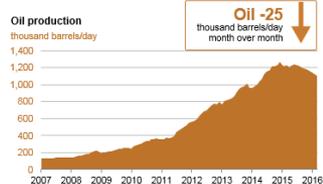
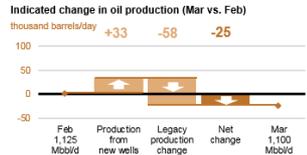
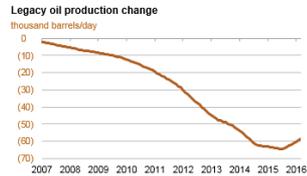
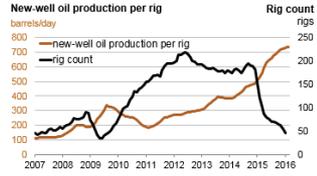
change from fourth quarter, 2014 (million barrels per day)



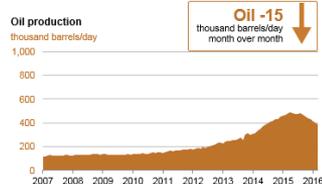
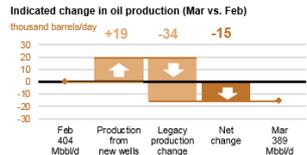
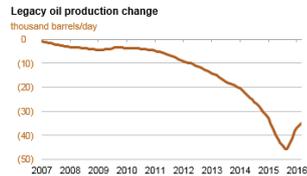
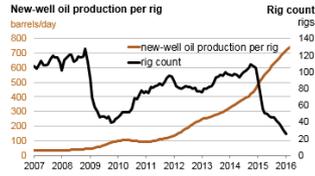
Source: EIA, Short-Term Energy Outlook, February 2016

Continued rise in drilling productivity has slowed decline in new-well production despite reduced drilling; declines in legacy production also beginning to slow

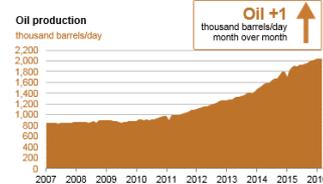
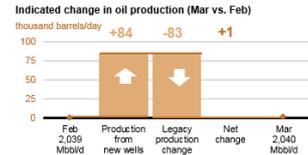
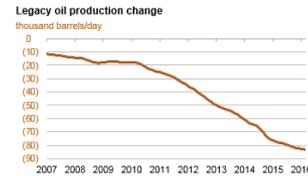
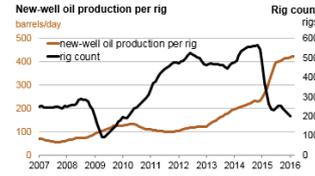
Bakken



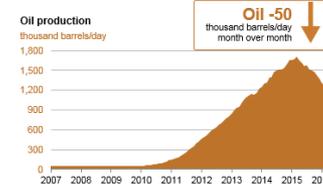
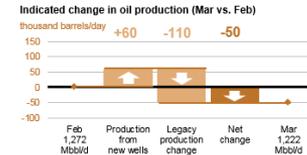
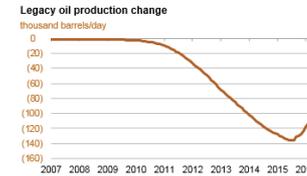
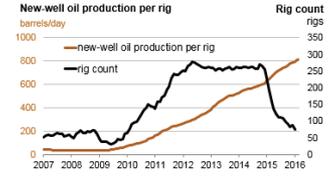
Niobrara



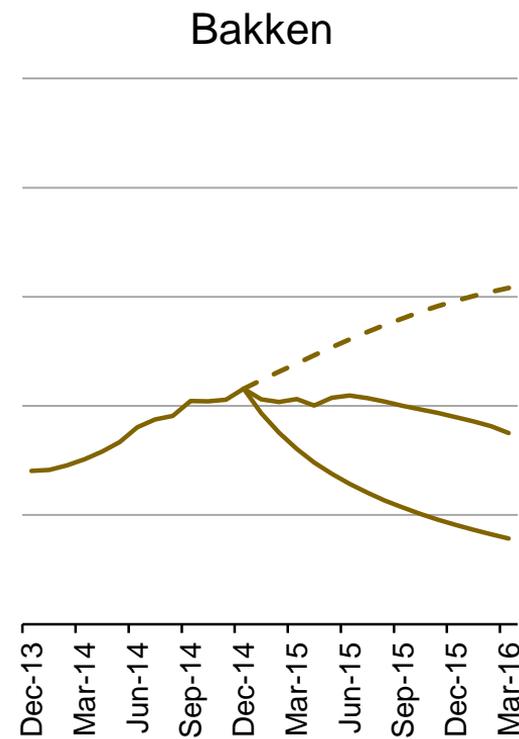
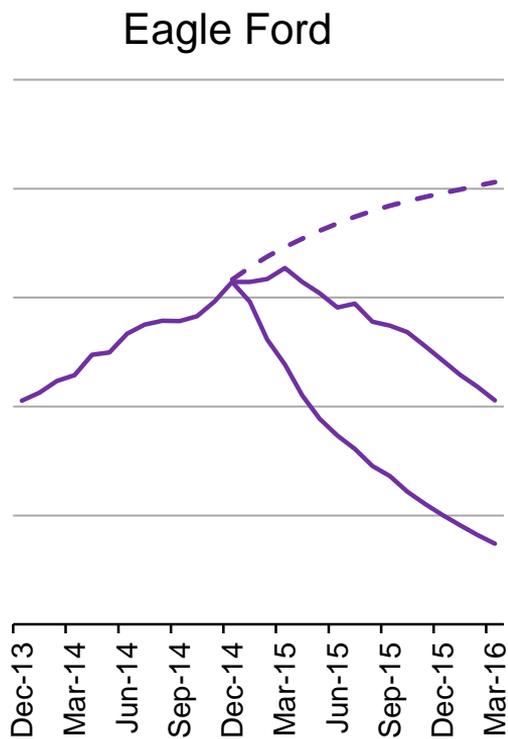
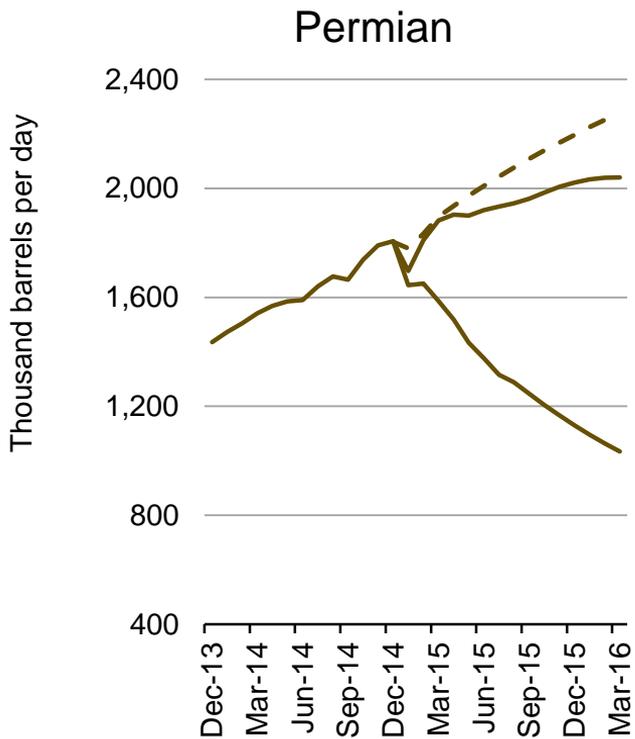
Permian



Eagle Ford

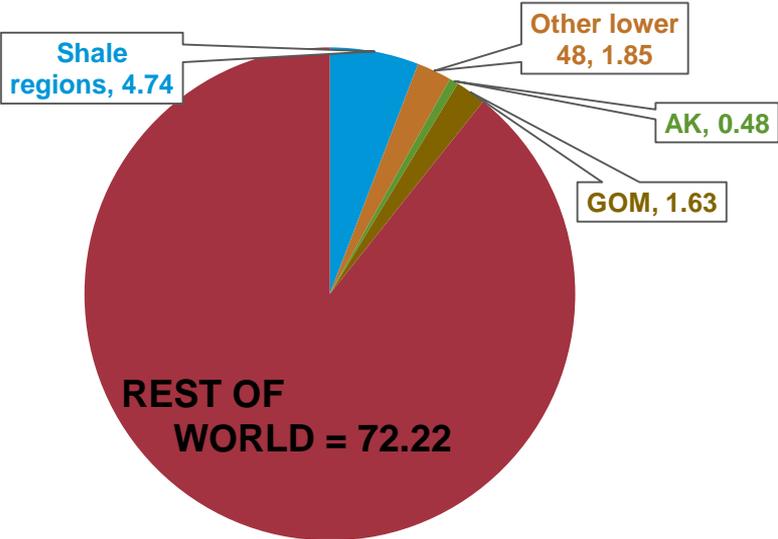


Relationship among actual, no rig decline, and no drilling output trajectories vary across 3 key tight oil regions

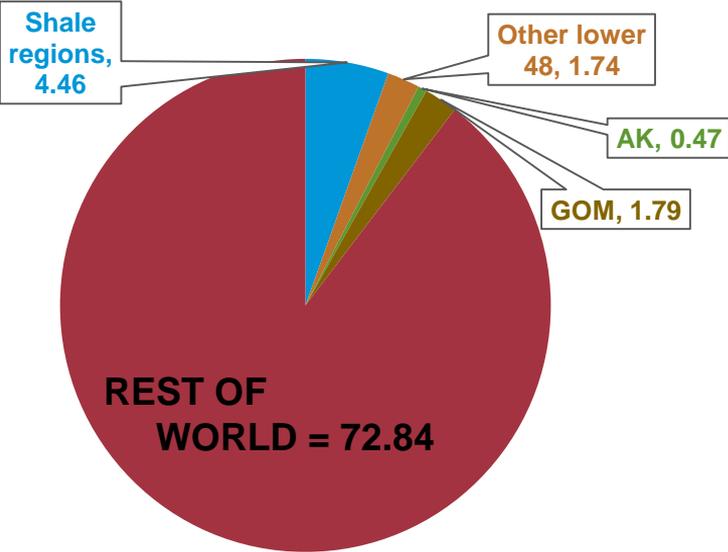


Crude supply trends outside the United States (red areas below) are key to future oil market balance: geopolitical developments, exporter decisions, and the timing and magnitude of supply effects stemming from reduced investment all matter

2016 oil production, million barrels per day -- EIA Feb STEO



2017 oil production, million barrels per day – EIA Feb STEO

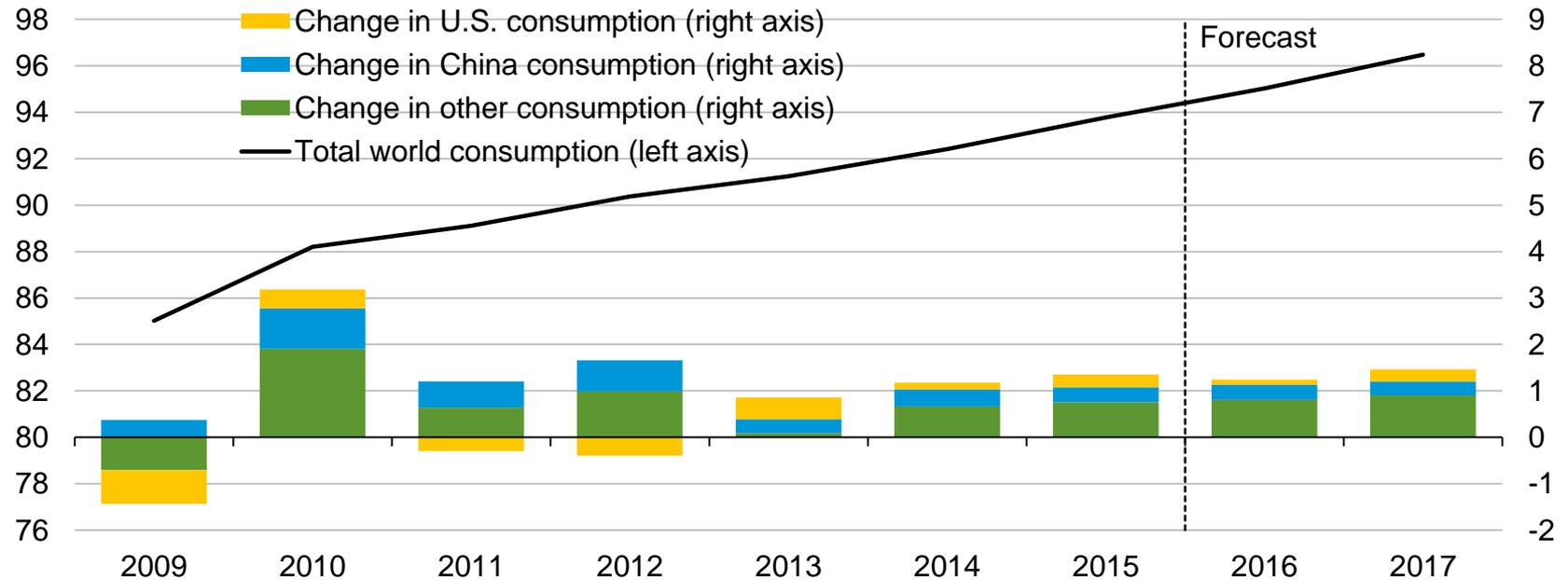


Source: EIA, Short-Term Energy Outlook and Drilling Productivity Report, February 2016; International Energy Agency

EIA forecasts global liquids consumption growth at 1.3 million bbl/d in 2016 and 1.5 million bbl/d in 2017

world liquid fuels consumption
million barrels per day

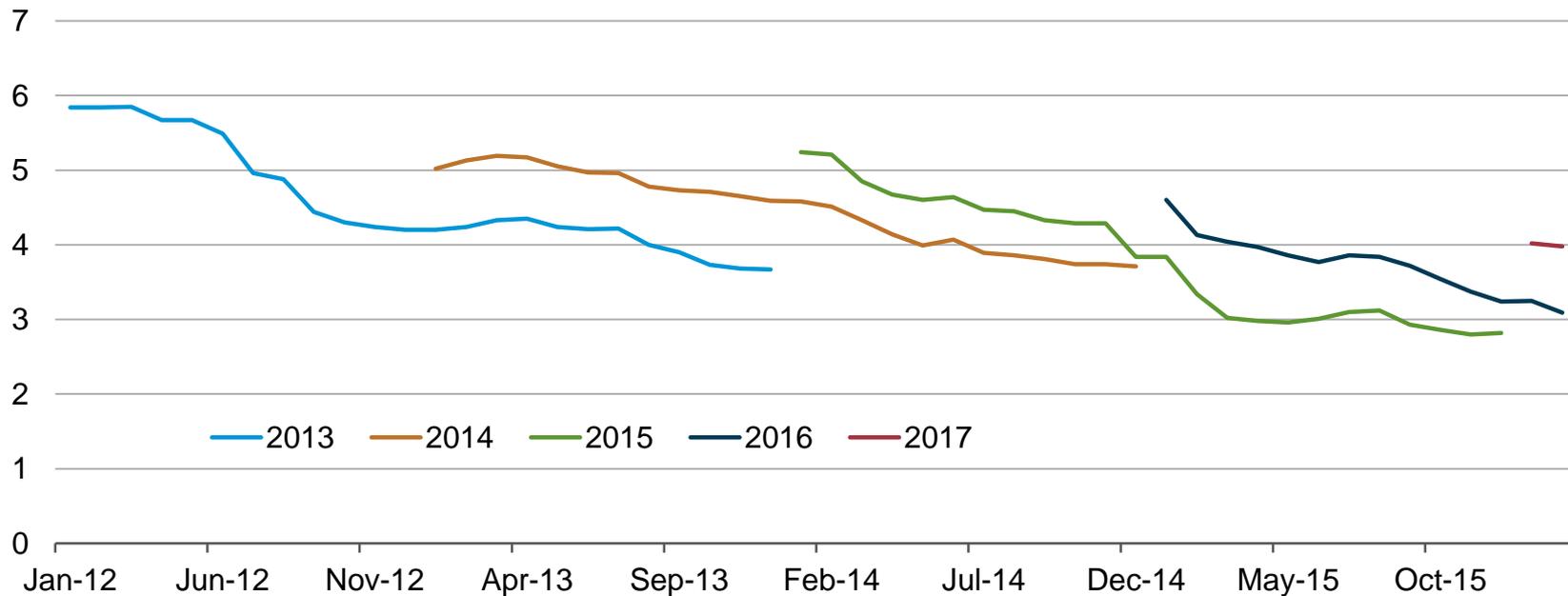
annual change
million barrels per day



Source: EIA, Short-Term Energy Outlook, February 2016

Non-OECD economic growth projections, a key driver of oil demand, have been reduced over the course of recent STEO forecasts

GDP growth in non-OECD countries
annual expectations by date of forecast



Source: EIA, Short-Term Energy Outlook

LONGER TERM PERSPECTIVE: Can OPEC cohere? – Change in world liquid fuel balances for two 12-year historical periods with EIA projections for 2013-25 from AEO2015 (million barrels per day)

	Actual		Projected AEO 2015 Reference & HOGR Cases
	1973–85	2000–12	2013–25
World Liquids Demand	+3	+12	+12 to +13
OECD	-4	-2	+1
Non-OECD	+7	+15	+11
World Liquids Supply	-1	+12	+11 to +12
Non-OPEC Supply	+13	+ 6	+10 to +15
OPEC Production	-14	+ 6	-3 to +2

Source: EIA, Annual Energy Outlook 2015, April 2015

For more information

U.S. Energy Information Administration home page | www.eia.gov

Annual Energy Outlook | www.eia.gov/aeo

Short-Term Energy Outlook | www.eia.gov/steo

International Energy Outlook | www.eia.gov/ieo

Monthly Energy Review | www.eia.gov/mer

Today in Energy | www.eia.gov/todayinenergy

State Energy Profiles | www.eia.gov/state

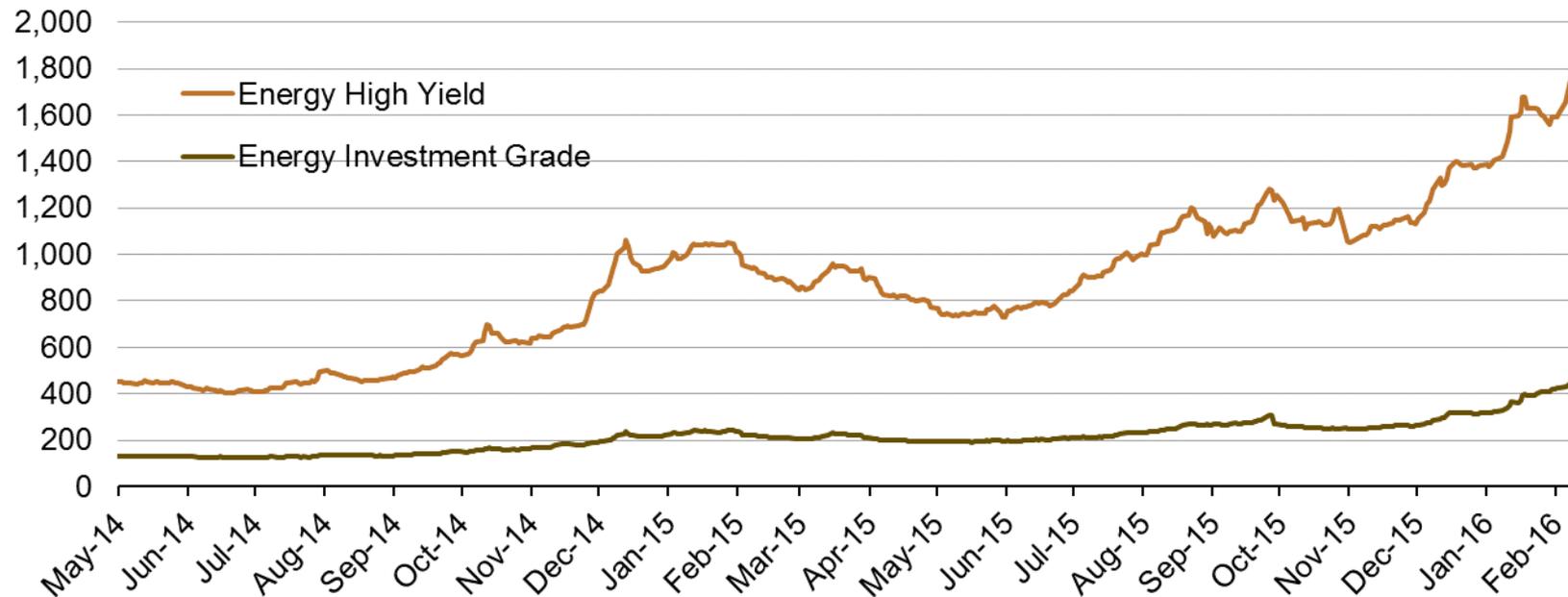
Drilling Productivity Report | www.eia.gov/petroleum/drilling/

International Energy Portal | www.eia.gov/beta/international/?src=home-b1

Low oil prices put non-OPEC producers at financial risk as borrowing costs have increased

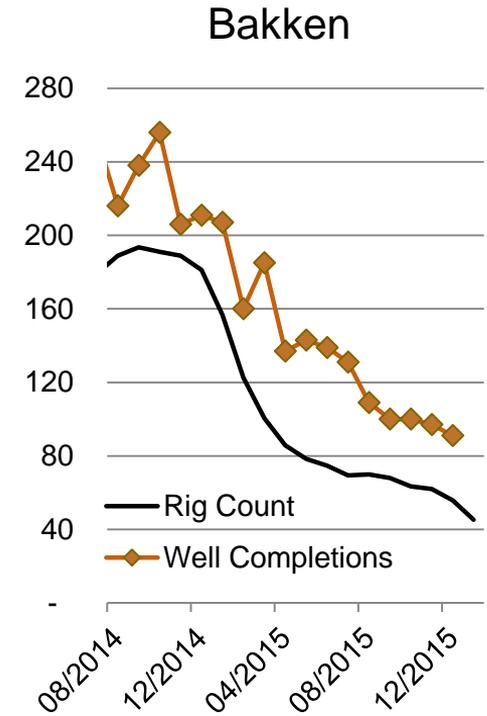
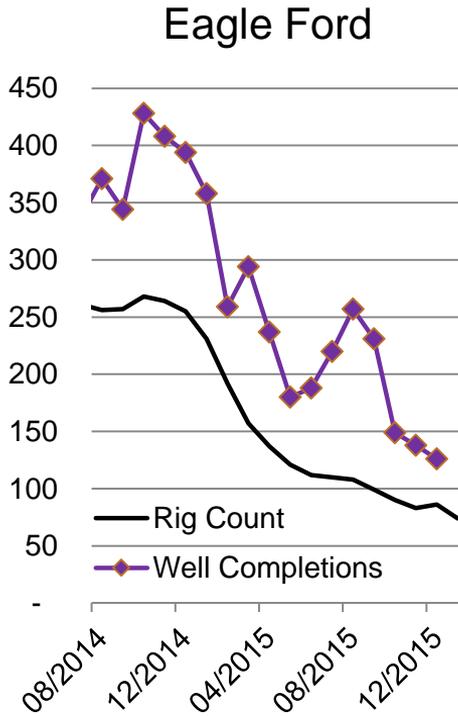
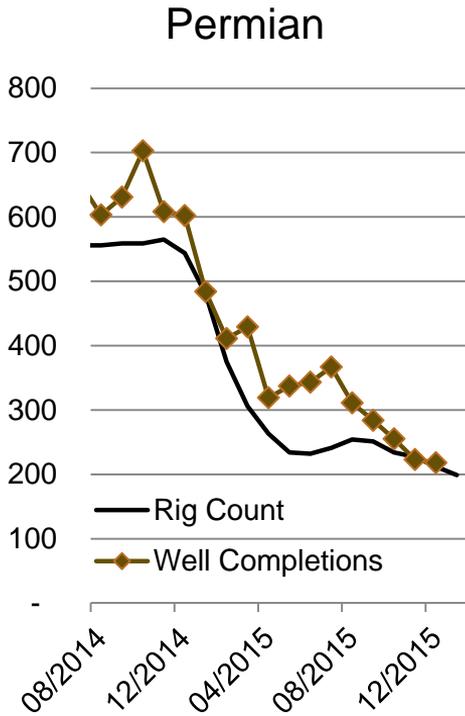
Bloomberg Corporate Bond Index

Option adjusted spread (basis points)



Source: EIA, Bloomberg

Completions have mostly tracked drilling activity



Source: Baker Hughes & FracFocus.org